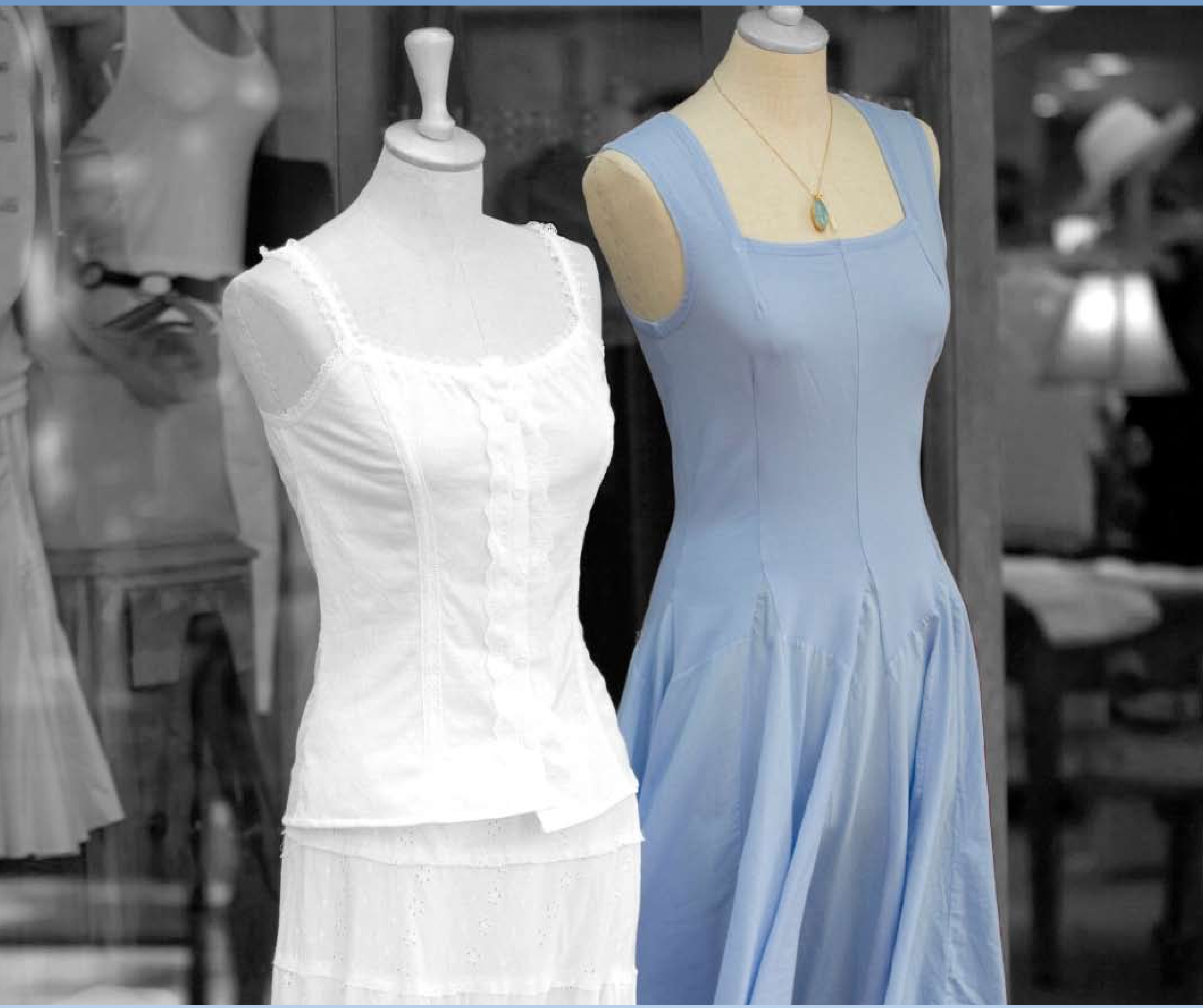
VIRGINIA
Economic Indicators

First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2008-2009 Projections



FEATURE ARTICLE:

The Textile and Apparel Industry in Virginia—How to Survive the End of an Era

by Timothy O. Kestner

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Volume 40, Number 1

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Publication Staff:

William Mezger
Editor

Joan McDorman
Assistant Editor

Linda Simmons
Graphic Design/Layout

Marilyn Baker
Distribution

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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS codes were updated in 2007. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2008 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2008 data.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

Don P. Lillywhite, Director

Economic Information Services Division

Virginia Employment Commission

P.O. Box 1358

Richmond, Virginia 23218-1358

For additional information or explanation of the contents of this document, you may contact the Economic/Operations Research section at (804) 786-5669. You may also view the publication in its entirety at **http://www.VaWorkConnect.com > LMI Home > Publications.**

HIGHLIGHTS

THE U.S. AND VIRGINIA ECONOMIES

Growth has slowed to a crawl in the national and Virginia economies and is expected to continue subpar, but tax rebates and low interest rates should help to just barely avoid recession.

The third revision of Gross Domestic Product (GDP) growth for First Quarter 2008 revealed the U.S. economy still has amazing resilience, inching forward at a 1.0 percent rate of increase in spite of a devastating collapse of the residential housing market that has wreaked havoc with financial institutions and destroyed consumer confidence and a rapid run-up in energy prices with oil going over $140 per barrel and regular gasoline over $4 per gallon. The economic performance, however, is subpar, well below the 3.0 percent average growth rate of the past 20 years, and it is expected to remain that way for an extended period. Recently enacted emergency fiscal (tax rebates) and monetary (lowered interest rates) measures appear to be just barely enough to keep the economy above the recession threshold of two consecutive quarters of negative GDP growth. Also helping some to boost growth are booming U.S. exports, a previously passed July 2008 rise in the minimum wage, and the usual presidential election year burst of confidence. GDP growth is expected to remain well below average at 1.6 percent annually in 2008 and only 0.9 percent annually in 2009.

Growth in the Virginia economy has also slowed, but Virginia was still seeing positive job growth of 0.5 percent in the first quarter, led as usual by the mainstays of professional and business services, private education and health care, public education and defense. Strikes and strike-related layoffs and dislocations from 2008's early Easter holiday were problems for some manufacturers. Even with the slowing, the Virginia indicators series managed to set the following positive records in First Quarter 2008:

- Nonfarm employment reached an all-time high of 3,775,000 seasonally adjusted in January.
- The production workweek was an all-time long 43.9 hours in both February and March.

Virginia's unemployment rate inched up to average 3.5 percent in the first quarter compared to a 2.9 percent average in First Quarter 2007. The main difference this year is that with the slower job growth, people who become unemployed now take longer to move into new jobs. Virginia still has the lowest unemployment rate of the 13-largest states. This slowdown has been unusual in that there have been few of the large-scale factory mass layoffs that are usually associated with downturns. All of Virginia's metropolitan areas are currently experiencing job growth except factory-layoff-plagued Blacksburg-Christiansburg-Radford. The Lynchburg area with nearly two percent job growth has been the best performer, followed by Winchester, Virginia/West Virginia and the Harrisonburg area. Job growth has slowed in the three-largest areas, but Northern Virginia with less than 3.0 percent unemployment still provides two-thirds of all the state's new jobs.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 212.1 (1982-84=100) in First Quarter 2008. The average was 1.1 percent higher than the 209.7 Fourth Quarter 2007 average. The First Quarter 2008 average was 4.1 percent above the First Quarter 2007 average of 203.8.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, during First Quarter 2008, productivity rose 2.6 percent in the nonfarm business sector; output increased 0.7 percent and hours of all persons fell 1.8 percent (seasonally-adjusted annual rates). From First Quarter 2007 to First Quarter 2008, output per hour in the nonfarm business sector increased 3.3 percent, the largest four-quarter change since a 3.8 percent increase from Second Quarter 2003 to Second Quarter 2004. Nonfarm business productivity had increased at an average annual rate of 2.7 percent from 2000 through 2006.

Hourly compensation increased 4.9 percent in the nonfarm business sector in First Quarter 2008. The measure increased 6.6 percent in the fourth quarter, as revised. When hourly compensation is adjusted for the rise in consumer prices, real hourly compensation grew 1.5 percent in Fourth Quarter 2007 and 0.6 percent in First Quarter 2008.

Unit labor costs rose 2.2 percent in First Quarter 2008. The percent change from the same quarter a year ago was 0.7 percent. The implicit price deflator for nonfarm business output increased by 2.3 percent in First Quarter 2008.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's First Quarter 2008 coal production of 6,580,000 short tons mined was 9.8 percent below the 7,295,000 short tons mined in First Quarter 2007.

William F. Mezger, Chief Economist
Virginia Employment Commission

U.S. Economic Outlook

Forecast Update—First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2008-2009 Projections

William F. Mezger, Chief Economist

Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States and a key measure of economic gain or loss—increased at a 2.2 percent annual rate in 2007. The U.S. economy avoided a much anticipated classic "7-year" slowdown as a result of very good second and third quarters in 2007, but growth slowed to only 0.6 percent by the year's final quarter, being pulled down by the collapse of financial and real estate markets and spikes in energy prices. The 2.2 percent rate of gain in 2007 was, however, below both the 2.9 percent rate of gain in 2006 and the 20-year average growth trend of 3.0 percent.

The third revision of GDP growth numbers for First Quarter 2008, released on June 26, 2008, showed the economy advancing at 1.0 percent on an annual basis. The first quarter increase in GDP growth primarily reflected positive contributions from consumer spending for services, the export of U.S. goods and services, and federal government spending. These positives were partially offset by negative contributions from residential real estate and consumer purchases of durable goods. Second and third quarters should show the impact of the tax rebates and the 2.00 percent Fed Funds rate, but rising energy and commodity prices may cause weaknesses to reappear by year's end.

In spite of the much-talked-about recession and the fact that certain sectors, like housing, finance, and motor vehicles, are already clearly in a recession, it now seems the U.S. economy will mope along for an extended period of "slow to no growth—just barely above recession." Fiscal and monetary corrective measures are boosting the economy. Rising energy and commodity prices are pulling it down. This period of lackluster economic performance with conflicting forces will likely extend well into 2009. A recession is technically considered to be at least two consecutive quarters of negative GDP growth. The National Bureau of Economic Research (NBER), a think tank located at Princeton University, officially designates periods of recession in the U.S. after it has analyzed all the data. It can be some time before the NBER officially calls a recession (it was July 2003 before the NBER officially defined the March to November 2001 recession).

The current economic slowdown is very spotty, hitting some areas hard while having much less impact on others. California, Florida, Nevada, and Arizona, where there was much real estate speculation, are hard hit. Also, Michigan, Ohio, and other parts of the "rustbelt" are hurting from the slump in domestic vehicle sales. States with service-based economies, like Virginia, are less impacted. Oklahoma and Texas are booming from oil profits. The spike in agricultural prices has benefited the Midwest, but in recent weeks, major flooding in Iowa, Missouri, and Illinois is depressing growth in those areas and will likely drive commodity prices even higher. Manufacturers of exported goods, like steel, are booming.

The current U.S. economic situation can be compared to an individual who feels some discomfort from an ailment, but they do not feel bad enough to stay home in bed. They continue to function (i.e., go to work), perhaps buoyed by aspirin or some other remedies, even though they still feel below par. The economy's performance is likely to remain below par for some time, but will probably remain just barely above recession.

It now seems the U.S. economy will mope along for an extended period of "slow to no growth—just barely above recession." Fiscal and monetary corrective measures are boosting the economy. Rising energy and commodity prices are pulling it down.

- Things currently causing slow U.S. GDP growth:
  - Too many mortgage loans made to poor-risk borrowers without estimating the potential risk and the assumption that collateral would only go up with ever-rising real estate values. Greedy bankers and speculators got in on the act, pushing through risky loans. The practice of mortgages being traded around the world as securities has compounded the problem and has masked the extent of possible losses. Also, consumers seeing dropping home values and a weakening labor market feel much less confident.
  - Energy prices remain inordinately high, reaching over $140 per barrel for oil and over $4 per gallon for regular gas, because of high world demand and futures speculation. The high-energy prices strap consumer spending powers as well as pushing up the cost of producing and shipping goods.
- The following fiscal and monetary steps that have already been taken are probably enough to keep the U.S. economy just barely above the recession threshold for the forecast period, but growth likely will be very anemic.
  - The president and congress signed off on a fiscal-stimulus package that is $152 billion worth of tax rebates that are in consumers' hands between May and July 2008. Its impact will be felt in the second and third quarters. The federal government also is working on a plan to help threatened homeowners prevent foreclosures and to assist hard-hit builders and communities.
  - The Federal Reserve in mid-March forced the sale of Bear Sterns (the nation's fifth-largest investment banker) to J.P. Morgan Chase, guaranteeing $29 billion of the subprime assets in Bear Stern's portfolio and opened its discount lending temporarily to investment banks for the first time since the 1930s. The Federal Reserve, which normally only lends to commercial banks, did this to avoid a crisis in the financial system and to keep credit flowing to businesses and consumers. In July, the Federal Reserve also put new restrictions on mortgage lenders. As problems in the mortgage/credit markets have worsened in recent months, the Federal Reserve has lowered the Fed Funds rate, the rate at which banks can borrow, from 5.25 percent in September 2007 to 2.00 percent in April 2008. The Federal Reserve is now in the dilemma of having to choose between fighting inflation brought on by rising fuel and commodity prices and an economy that still needs a bit more stimulus. It apparently feels inflation is the bigger danger as it left the Fed Funds rate at 2.00 percent at its June 25, 2008, Open Market Committee meeting. Federal Reserve policy will probably remain neutral until mid-2009, although sharply rising energy and commodity prices could possibly bring an interim precautionary rate hike.
- Also helping:
  - The U.S. dollar has fallen to new low values on world markets, which is bad news for U.S. consumers, but is drastically helping the competitiveness of U.S. manufacturers and giving a big boost to the U.S. economy. U.S. exports rose 8.1 percent in 2007 and should be up 7.7 percent in 2008. What is left of the U.S. steel industry, which was all but dead a few years ago, is now booming and opening new mills.
  - The next increase in the federal minimum wage (already passed by Congress) takes place July 24, 2008, pushing the federal minimum wage to $6.55 per hour. This will provide a further economic stimulus, as workers at the minimum usually quickly spend all of their increase, but it will also fuel inflation, especially in the present environment.
  - Presidential elections usually boost economic confidence, but the public needs to realize that it takes 12 to 18 months for a new president's policies to be implemented and impact the economy.

The current economic slowdown is very spotty, hitting some areas hard while having much less impact on others.

The latest projections for 2008 and 2009 follow:

Updated 2008 and 2009 Forecasts		
	Percent (except as noted) Averages	
	2008	2009
Real GDP	1.6	0.9
Personal Income	4.7	3.4
Consumer Spending (Real)	1.7	0.4
Business Investment (Real)	3.3	-2.1
Federal Government Spending (Real)	4.0	1.8
State and Local Government Spending (Real)	1.2	-1.1
Housing Starts (Million Units)	0.93	1.01
Existing Home Sales (Million Units)	4.82	4.78
Light Vehicle Sales (Million Units)	14.4	14.1
Nonagricultural Employment	0.1	0.0
Unemployment Rate (Levels)	5.3	6.0
Consumer Price Inflation	5.3	3.3
Oil Prices ($ per Barrel)	131	146
Industrial Production	0.1	0.8
Federal Government Surplus (Billion Dollars)	-412	-497
Current Account Balance (Billion Dollars)	-827	-885

The baseline forecast probability is 60 percent.

Economic growth is expected to be way below par (3 percent), extending well into 2009.

Forecast Alternatives

In the **optimistic scenario**, stronger productivity gains and renewed optimism boost business spending, there is an earlier end to the housing contraction, and oil prices drop to $110-$120 per barrel. The productivity improvement contains inflation, and foreign economic growth is stronger, further boosting U.S. exports. (Probability is 20 percent.)

In the **pessimistic scenario**, oil prices rise above $160 per barrel and the housing slump worsens, overcoming the tax rebate stimulus package and low interest rates, and there is a full-blown recession. The Federal Reserve cannot do much with interest rates because the economy is so weak, and inflation rises. This is “stagflation.” (Probability is 20 percent.)

July 10, 2008

Virginia Indicators

First Quarter 2008 Data with Updated Area Analysis

William F. Mezger, Chief Economist

The Virginia economy, like the national economy, saw slow growth in First Quarter 2008 as it too was battered by skyrocketing fuel prices, a still declining residential real estate market, and rising commodity prices. Payroll employment in Virginia still expanded, but only by 0.5 percent in the first quarter. In addition to the above woes Virginia shared with the nation, strikes in the motor vehicle industry and the layoffs that resulted from them impacted Virginia in February and March. The numbers for both employment series, three of the unemployment series, and weekly and hourly earnings were worsened by the vehicle industry labor disputes that occurred both in Virginia and the nation. The Volvo heavy truck plant in Dublin, Virginia, was shut down by a strike that lasted from February 1 to March 24, 2008. There were strikes at American Axle plants and at selected General Motors plants around the country. Although Virginia law does not allow the payment of unemployment compensation to striking workers, the trouble was several Virginia vehicle component producers supplied the striking plants, and they could not work while the strikes were going on. Easter, the most difficult holiday to compensate for with seasonal adjustments because it can come in either March or April, had a largely negative impact this time on the March figures. There was the negative impact of the usual factory furloughs that occur around any holiday. Monies being diverted to cover fuel expenses and the high cost of travel blunted the usual accompanying retail sales and tourism boost that Easter normally brings. The sluggish housing market delayed the seasonal expansion of construction employment beyond the first quarter in 2008.

The fourteen series that are available to measure the Virginia economy turned in the following performances in First Quarter 2008:

- January, before the first quarter's vehicle strike-related problems, saw a slight rebound from a weak December with eight series up, three unchanged, and three down.
- February, with the strikes starting, had four series up, four series unchanged, and six series down.
- March, with the full impact of the strikes and this year's negative effect from the Easter holiday, saw three series up, five series unchanged, and six series down.

Even with the above first quarter problems, the Virginia indicator series managed to set the following positive records:

- Nonfarm employment reached an all-time high level of 3,775,600 in January 2008.
- The production workweek was an all-time long 43.9 hours in both February and March as producers worked their existing staffs a lot of overtime to fill orders on the books—an unusual situation in a slowing economy.

Manufacturing employment had negative record-low employment levels of 272,500 in February and 272,300 in March, largely because of the above strike-related problems.

The six-month moving average of rising indicators on page 17 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Around the State

The Virginia employment picture, which appeared to peak in January, saw jobs siphoned off by the weakening residential housing market (still largely in Northern

The Virginia economy, like the national economy, saw slow growth in the first quarter, but Virginia was still seeing 0.5 percent positive job growth—led by the usual mainstays of professional and business services, private education and health care, public higher education, and defense.

Strikes and layoffs in the significant vehicle manufacturing industry were a problem in First Quarter 2008.

Virginia), high fuel prices diverting monies from other retail purchases in the normally slow-anyway first quarter, and a strike and strike-related layoffs in vehicles and vehicle component manufacturing (now Virginia's largest factory segment). The usual mainstays of the Virginia economy, which are almost recession-proof, professional and business services, private education and health care, public higher education, and the federal government and defense-related contractors, kept things moving slowly forward. Nonfarm job growth in the first quarter was 0.5 percent and is now expected to average about that rate for 2008—slow, but Virginia is expected to still add jobs this year.

Virginia's unemployment rate averaged 3.5 percent for First Quarter 2008, which was not as good as the 2.9 percent First Quarter 2007 average, but is still not bad at all by past standards. Of course, this is still much better than the five percent "full employment" level. The main change in unemployment in Virginia in recent months is that people who become unemployed do not move into new jobs as quickly as they did a year or so ago. This downturn has been unusual in that there has not been much increase in large-scale factory closings, but this may be due to the diminished importance of manufacturing in the employment mix with factories now providing only 7.3 percent (March 2008) of Virginia nonfarm employment. Virginia slipped a little in the national unemployment rankings, being the ninth-lowest in April with eight small states, mostly in the upper Midwest and Rocky Mountain regions being lower. South Dakota and Wyoming were lowest, both with 2.6 percent seasonally adjusted unemployment. Virginia consistently remained the lowest of the 13-largest states with over 3.5 million nonfarm employment bases. Virginia has been pushed lower in the rankings by the fact that some oil- and coal-producing states (Wyoming and Oklahoma) have improved. The current slowdown has hardly touched the agricultural center of the country, but flooding in the Mississippi basin this summer may change this.

April was a very good month in Virginia with the vehicle strike problems over, construction and tourism rebounding, and new college graduates starting to be hired. May does not appear to be quite as strong as April, but most all of the run-up in unemployment comes from a late-in-the-month statistical reference week that fell after most state colleges had already held graduations.

All of Virginia's metropolitan areas are still experiencing some job growth except the Blacksburg-Christiansburg-Radford area where strikes and layoffs in its significant manufacturing sector have turned job growth negative and boosted unemployment above four percent. The remaining rural balance of state has had negative job growth so far in 2008. This year the Lynchburg area with nearly two percent job growth has been the best performer, followed by the Winchester, Virginia/West Virginia area and the Harrisonburg area. Job growth has slowed in the three-largest metropolitan areas with Hampton Roads, at around one percent job growth, having the best job gains of the three. The large Northern Virginia metropolitan area has seen job growth diminish to less than one percent due to job losses in construction, finance, and telecommunications, but it is still providing over two-thirds of the new jobs in the state. Unemployment rates have risen in all the metropolitan areas with the slowing job growth, but Northern Virginia unemployment remains less than three percent; and all the other metropolitan areas, but Blacksburg-Christiansburg-Radford and Danville, which have problems peculiar to those areas, were below four percent unemployment. The three-largest Virginia areas still remain in the top ten-best large U.S. unemployment areas, but have been bumped out of the very top spots by large metropolitan areas in the now booming oil-producing states.

- **Lynchburg** has consistently, so far in 2008, had the best metropolitan job growth of all the Virginia metropolitan areas, adding new jobs at just about a two percent rate of gain. The several private colleges and the industries that support them are the engines of growth. Also, there do not seem to be significant losses coming from the proportionately large factory sector to offset the services growth. College-related job growth in Lynchburg usually slows during the summer months. Unemployment is mid-three to four percent.

- **Winchester, Virginia/West Virginia** has seen near two percent job growth from a still fairly high level of service industry activity. The fact that Winchester is less than a perfect labor market area means that Winchester continues to get some unemployment from housing and vehicle industry layoffs in nearby areas where some Winchester residents commute to work. These layoffs have pushed unemployment close to four percent, a level that seems a bit high for the amount of job growth going on within this metropolitan area.

- **Harrisonburg** job growth has recently been around 1.5 percent, largely supported by the large James Madison state university and the research, biotech, and support industries that go along with it. Manufacturing-related problems seem to be a very slight drag to growth. Unemployment is running mid-three percent.

- **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** seems to presently be the best large metropolitan performer with gains from health care, tourism, and the sizable defense support industry. Job growth is at, or just over, one percent. Tourism does not seem to be having any post-Jamestown letdown. Hampton Roads is one of the few areas in the country with more construction jobs than last year. Factory totals are still off because of the June 2007 Ford plant closing. Unemployment is in the upper-three percent range, which is quite good when the military-dependent turnover factor is considered. Also, the troop deployments remove moonlighting service personnel from the local economy, tightening the local labor supply.

- The **Richmond** area has had nearly one percent job growth so far for 2008 with most gains coming from health care, education, tourism, and professional services. Construction employment has been just above last year, something few U.S. metropolitan areas can claim. Manufacturing employment continues to gradually dwindle. Unemployment has risen to mid-three to four percent.

- **Northern Virginia** job growth has slowed to just under one percent as the result of the slump in construction, finance, and telecommunications. Two-thirds of Virginia's construction slump and three-quarters of the finance slump is in Northern Virginia. Even with these slowdowns, Northern Virginia continues to provide over two-thirds of Virginia's job growth. Professional and business services and health care both continue to enjoy better than two percent job growth, and tourism is still expanding. Unemployment is still in the upper-two percent range, the lowest of the state's metropolitan areas.

- The **Charlottesville** area has seen more leisurely job growth of just under one percent in recent months, but there are still gains in the University of Virginia/Medical Center complex (the area's major employer) and the accompanying support industries. Professional and business services and tourism continue to hire. The goods-producing combination of mining, construction, and manufacturing is neutral to barely negative. Unemployment is currently about three percent.

- The **Roanoke** metropolitan area is seeing little job growth aside from Carilion Health System's expansion quest to make Roanoke a world-class health center. In fact, the Carilion expansion is taking up slight slack in manufacturing, construction, and transportation. Roanoke area unemployment remains mid-three percent (a little below both Richmond and Hampton Roads).

- Because of the U.S. Bureau of Labor Statistics' cost-cutting decision to suspend the production of monthly nonfarm employment data for all U.S. metropolitan areas with payroll employment below 50,000, figures for the **Danville** area are no longer available. From what data that is still available, it looks like Danville is still seeing slight positive services job growth. Construction is starting on new manufacturing facilities. Unemployment in this still heavily factory-oriented area is running six to seven percent, the highest of any Virginia metropolitan area, a pattern that has existed for some years.

- **Blacksburg-Christiansburg-Radford** is the only Virginia metropolitan area currently with negative job growth. This has come about because of retrenchments in the manufacturing sector, which are now outweighing slight job advancements at Virginia Tech and Radford University. The large Volvo heavy truck plant was on strike in February and March and has scheduled layoffs for the summer. Unemployment has risen to four to five percent.

Vehicle industry strikes and layoffs impact a number of Virginia series in First Quarter 2008.

Nonagricultural employment, continuing the trend of 2007, managed to creep forward in January 2008, rising to a new high of 3,775,600, a gain of 8,600 over December. The February level of 3,774,900 and the March level of 3,773,500 reversed that trend, being off by 700 and 1,400, respectively. None of the first quarter's monthly nonfarm movements were enough to register the 19,000 (plus, or minus, 0.5 percent) necessary to register change on the pages 16 and 17 tables. Manufacturing employment was also up 200 in January to 274,800, but then slid by 2,000 to 272,500 in February and 200 to 272,300 in March. Both February and March factory job numbers were new record lows. Vehicle industry layoffs caused by strikes helped slow both employment-related series.

The four unemployment-related series were mostly negative in January, mixed in February, and mostly negative again in March. The total unemployment rate on a seasonally adjusted basis climbed from 3.2 percent in December to 3.4 percent in January, 3.5 percent in February, and 3.7 percent in March. Average weekly initial unemployment claims were up from 4,531 in December to 5,697 in January, dropped to 5,403 in February, then rose again to 5,523 in March. The insured

unemployment rate (which is the ratio of claims to the number of workers eligible for benefits) fell from 1.01 percent in December to 0.92 percent in January, but then rose to 0.95 percent in February and 1.18 percent in March, the highest rate in four years. Final payments for unemployment benefits (which to some extent reflect layoffs six months previous) rose from 3,076 in December to 3,543 in January, and then were down to 3,192 in February and 2,920 in March. All the unemployment-related series, except final payments, were also influenced by the vehicle industry strikes and layoffs.

The four hours and earnings series were mostly positive in January and then were neutral with a positive leaning for the remainder of the quarter. The average length of the production workweek increased from 42.8 hours in December to 43.3 hours in January and then went on to set new records of 43.9 hours for both February and March. Normally the workweek reduces in economic slowdown periods, but this time it has lengthened. There appeared to be factory orders that needed to be filled, but manufacturers were accomplishing this by working existing staff a lot of overtime. Production hours followed a similar pattern going from 9,193,000 in December to 9,309,000 by March with increases each month. The average hourly production wage slid from $18.35 in December to $18.22 by February, then rebounded some to $18.33 by March. The average weekly production earnings rose each month from $786.17 in December to $801.85 by March, but were still below the November 2007 all-time record level of $803.52. Lost wages resulting from vehicle industry strikes and layoffs were the major factors preventing first quarter record-high wages.

The usually fickle business series were all-positive for January, but turned mostly negative after that. Single family housing permits rose at the first of this year from 1,855 in December to 2,225 in January, but then slumped to 2,083 in February, and 1,780 in March. March's figure was an 18-year low. New business incorporations were up from 1,368 in December to 1,850 in January, but then were off to relatively low levels of 1,223 in February and 1,248 in March. New light vehicle registrations rebounded from 37,168 in December to 42,671 in January, but then went downhill to 40,610 in February and 34,734 in March (the lowest since September 2001). Taxable retail sales were up from $8,623 million in December to $8,808 million in January (some last week of the year sales do not get reported until January) then trailed off to $8,767 million in February and $8,602 million in March as rising gasoline prices siphoned money away from other purchases. Even the boost in sales from Easter coming in March 2008 did not pull up the sales numbers enough to turn them positive.

Lynchburg had the best metropolitan job growth so far this year, but Northern Virginia still provided over two-thirds of the state's new jobs.

Employment Indicators

2007	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,699.8	3,756.9	279.4	281.1	3.2	2.8
February	3,705.7	3,755.7	280.6	281.9	3.2	2.9
March	3,737.1	3,757.4	280.8	281.4	2.9	2.9
April	3,751.3	3,756.2	280.2	280.6	2.7	2.9
May	3,777.6	3,759.9	279.7	279.8	2.8	3.0
June	3,809.4	3,762.7	281.4	279.9	3.1	3.0
July	3,758.0	3,761.0	279.1	279.7	3.1	3.0
August	3,752.3	3,762.1	278.2	277.3	3.2	3.1
September	3,770.0	3,764.0	277.3	276.6	3.0	3.1
October	3,777.6	3,764.8	275.9	275.8	3.0	3.2
November	3,791.5	3,766.6	275.9	275.6	3.0	3.2
December	3,797.5	3,767.0	275.2	274.6	3.2	3.2
2008						
January	3,718.2	3,775.6	273.2	274.8	3.8	3.4
February	3,724.7	3,774.9	271.2	272.5	3.8	3.5
March	3,753.1	3,773.5	271.7	272.3	3.9	3.7

* These series have been adjusted to First Quarter 2007 benchmarks.

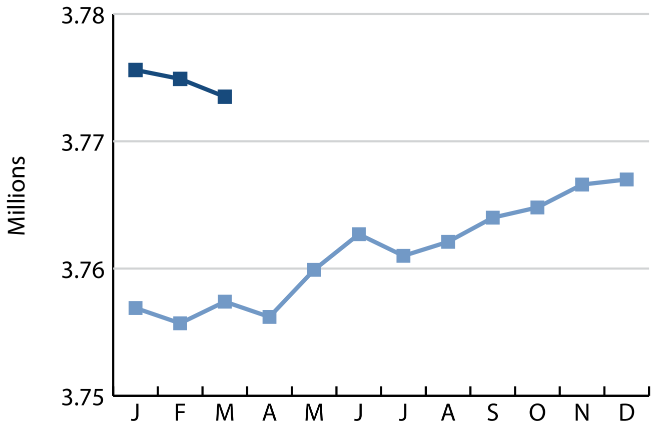
Unemployment Insurance Indicators

2007	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,301	5,076	1.09	0.86	3,506	3,315
February	5,813	5,808	1.08	0.93	2,911	3,056
March	4,580	5,059	0.95	0.91	3,153	2,794
April	4,265	5,189	0.92	0.96	3,054	2,918
May	3,961	4,771	0.91	0.93	3,573	3,274
June	4,093	4,528	0.83	0.90	2,933	2,759
July	4,995	4,436	0.79	0.82	3,470	3,427
August	3,829	4,567	0.63	0.69	3,149	2,863
September	3,617	4,359	0.82	0.97	2,630	3,116
October	4,519	4,938	0.84	0.90	2,956	3,273
November	5,603	5,307	0.90	0.93	2,496	2,763
December	5,991	4,531	1.07	1.01	2,741	3,076
2008						
January	8,194	5,697	1.16	0.92	3,747	3,543
February	5,407	5,403	1.11	0.95	3,040	3,192
March	5,001	5,523	1.23	1.18	3,295	2,920

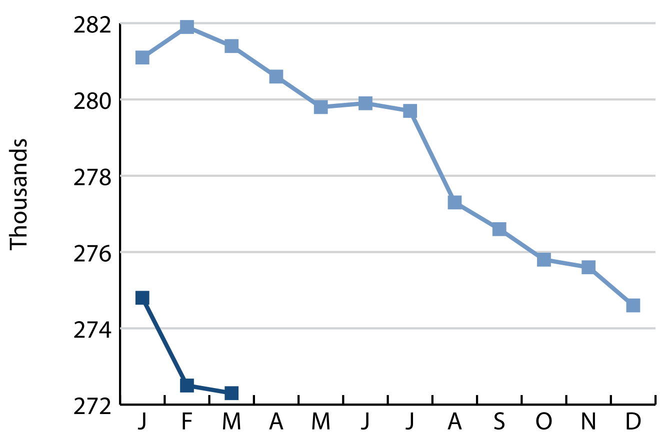
Employment Indicators

January 2007 - March 2008 | 2007 | 2008

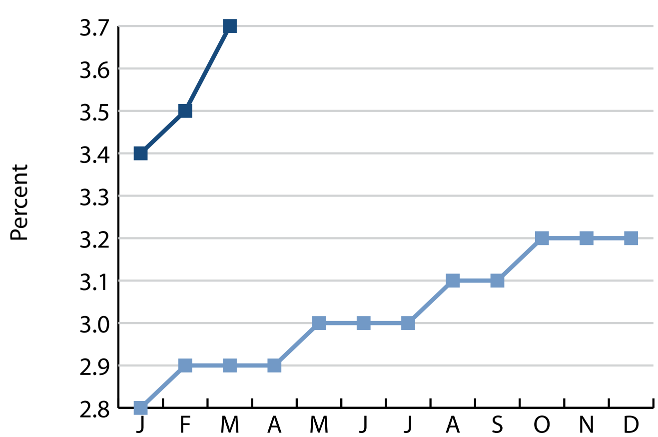
Nonagricultural Wage and Salary Employment



Manufacturing Employment



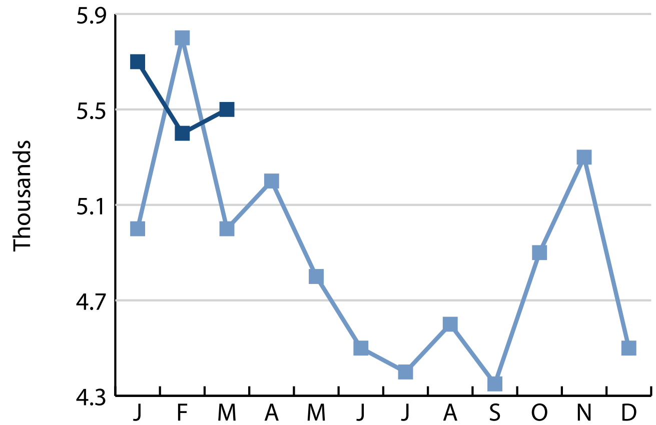
Total Unemployment Rate



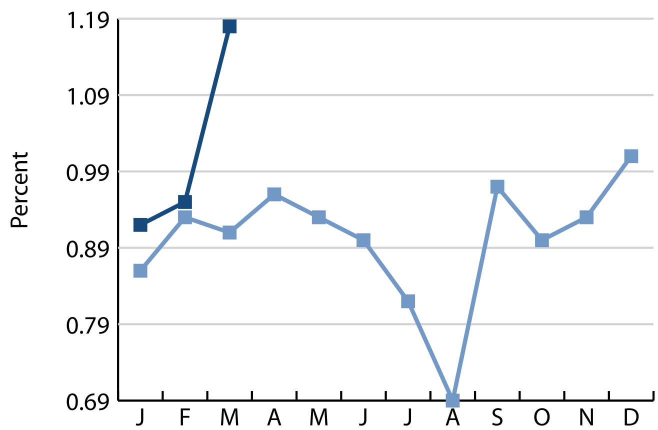
Unemployment Insurance Indicators

January 2007 - March 2008 | 2007 | 2008

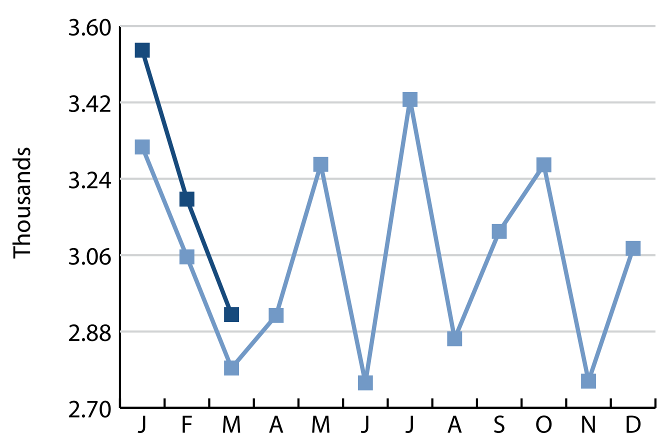
Average Weekly Initial Claims



Insured Unemployment Rate



Unemployment Insurance Final Payments



Manufacturing Production Worker Indicators

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2007	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	41.3	41.1	17.09	17.08	8.65	8.58
February	41.1	41.2	17.06	17.04	8.59	8.52
March	41.5	41.8	17.08	17.18	8.51	8.56
April	41.1	41.6	17.35	17.28	8.58	8.58
May	41.5	41.4	17.26	17.34	8.47	8.55
June	42.6	42.2	17.70	17.62	8.68	8.67
July	41.8	42.3	17.71	17.73	8.69	8.73
August	42.2	42.7	17.67	17.76	8.70	8.75
September	41.8	41.9	17.79	17.82	8.73	8.77
October	41.8	41.4	17.67	17.68	8.65	8.72
November	43.6	43.7	18.35	18.40	8.91	8.88
December	43.7	42.8	18.51	18.35	9.00	8.86
2008						
January	43.5	43.3	18.31	18.30	8.86	8.78
February	43.8	43.9	18.25	18.22	8.81	8.73
March	43.6	43.9	18.22	18.33	8.71	8.76

Manufacturing Production Worker Indicators (continued)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2007	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	9,032	9,037	705.82	701.40	357.27	352.96
February	9,026	9,087	701.17	703.21	353.16	352.42
March	9,113	9,204	708.82	715.47	353.33	356.29
April	9,021	9,122	713.09	718.04	352.79	355.78
May	9,093	9,081	716.29	717.15	351.71	351.95
June	9,398	9,259	754.02	742.36	369.79	366.13
July	9,137	9,270	740.28	748.36	363.42	369.10
August	9,208	9,275	745.67	757.49	366.97	374.30
September	9,096	9,101	743.62	751.06	364.72	369.22
October	9,029	8,943	738.61	732.53	361.46	359.85
November	9,426	9,437	800.06	803.52	388.58	389.25
December	9,413	9,193	808.89	786.17	393.09	379.54
2008						
January	9,270	9,276	796.49	791.50	385.25	380.61
February	9,237	9,299	799.35	801.67	385.69	384.88
March	9,217	9,309	794.39	801.85	379.82	383.00

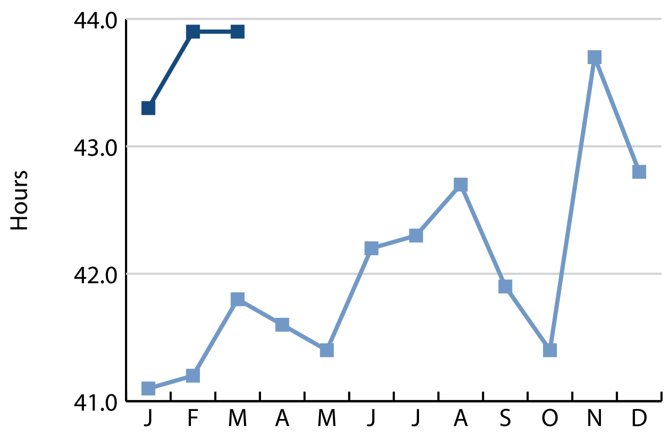
* These series have been adjusted to First Quarter 2007 benchmarks.

Manufacturing Production Worker Indicators

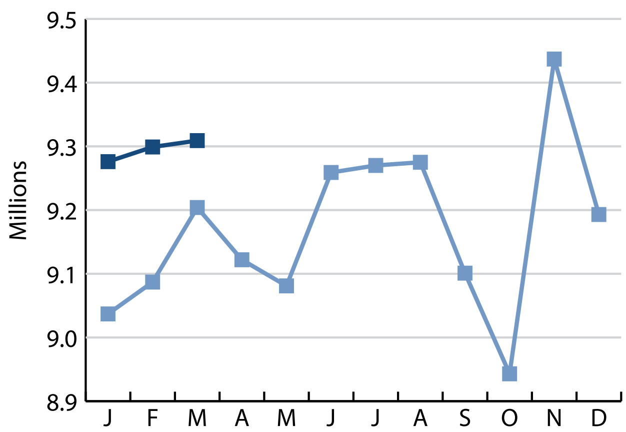
January 2007- March 2008

2007 2008

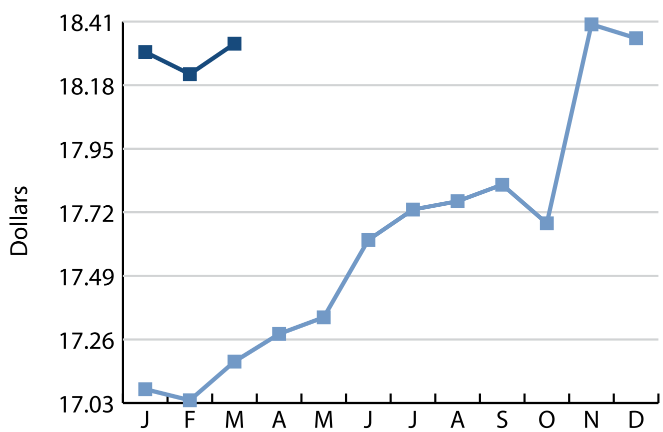
Average Weekly Hours



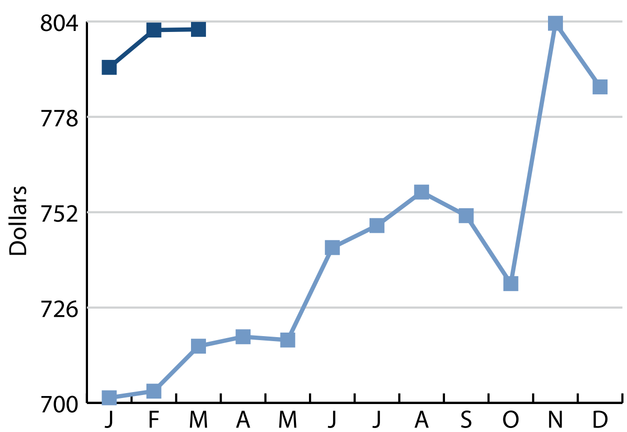
Total Production Hours



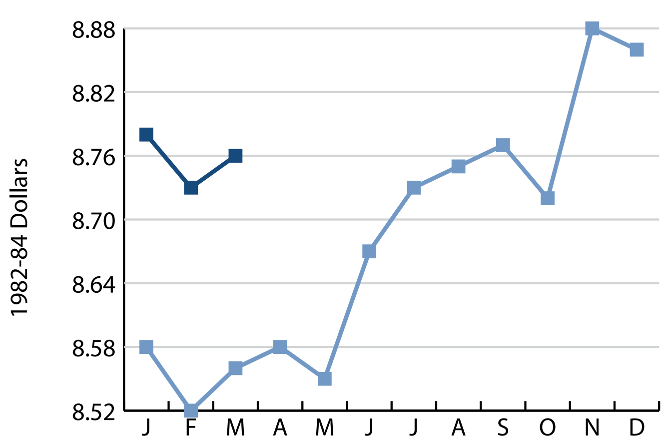
Average Hourly Earnings



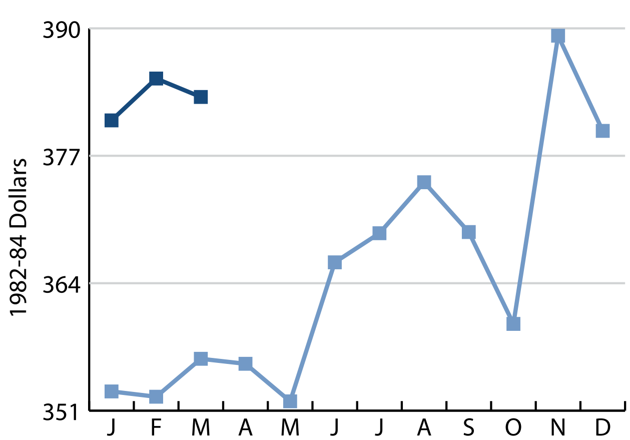
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



Business Indicators

2007	Single Family Housing Permits Unadjusted	Single Family Housing Permits Adjusted	New Business Incorporations Unadjusted	New Business Incorporations Adjusted	New Vehicle Registrations Unadjusted	New Vehicle Registrations Adjusted
January	2,350	2,765	1,560	1,829	41,967	46,072
February	2,588	2,891	1,553	1,429	33,096	42,513
March	3,082	2,683	1,885	1,466	45,232	42,332
April	2,936	2,605	1,549	1,424	46,993	44,171
May	3,156	2,671	1,596	1,476	55,429	48,922
June	3,057	2,568	1,575	1,501	49,747	43,067
July	2,751	2,647	1,315	1,384	44,414	41,951
August	2,491	2,362	1,534	1,561	47,082	40,718
September	1,849	2,008	1,114	1,147	40,381	38,447
October	2,084	2,181	1,558	1,748	43,040	42,233
November	1,702	2,000	1,185	1,435	35,045	41,646
December	1,443	1,855	1,271	1,368	28,170	37,168
2008						
January	1,891	2,225	1,578	1,850	38,869	42,671
February	1,865	2,083	1,329	1,223	31,615	40,610
March	2,045	1,780	1,604	1,248	37,113	34,734

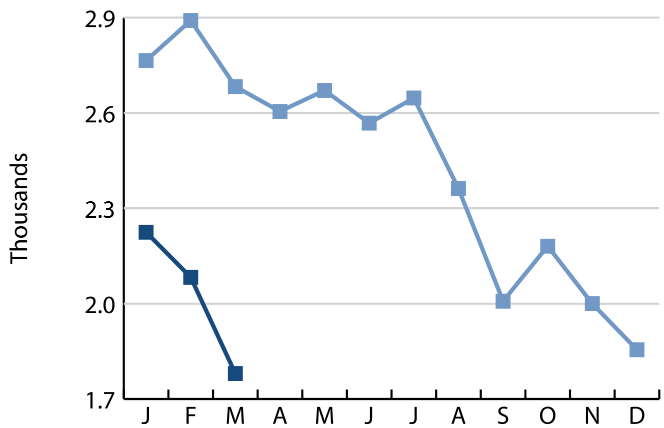
Business Indicators (continued)

2007	Taxable Retail Sales (Millions of Dollars) Unadjusted	Taxable Retail Sales (Millions of Dollars) Adjusted	Deflated Taxable Retail Sales (Millions of 1982-84 Dollars) Unadjusted	Deflated Taxable Retail Sales (Millions of 1982-84 Dollars) Adjusted
January	7,714	8,942	3,905	4,496
February	7,807	8,898	3,932	4,459
March	8,895	8,766	4,434	4,368
April	8,586	8,683	4,248	4,316
May	9,045	8,967	4,441	4,430
June	9,299	8,732	4,560	4,304
July	8,633	8,789	4,238	4,308
August	8,849	8,932	4,355	4,419
September	8,557	8,622	4,197	4,245
October	9,028	9,004	4,418	4,398
November	8,687	8,842	4,219	4,284
December	10,572	8,623	5,138	4,162
2008				
January	7,599	8,808	3,676	4,233
February	7,692	8,767	3,711	4,208
March	8,728	8,602	4,173	4,111

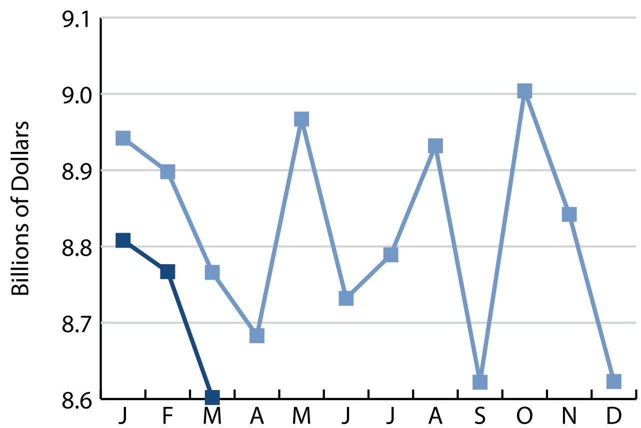
January 2007 - March 2008

2007 2008

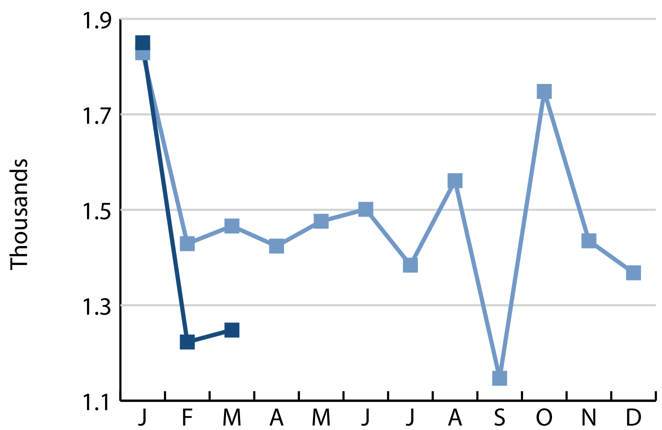
Single Family Housing Permits



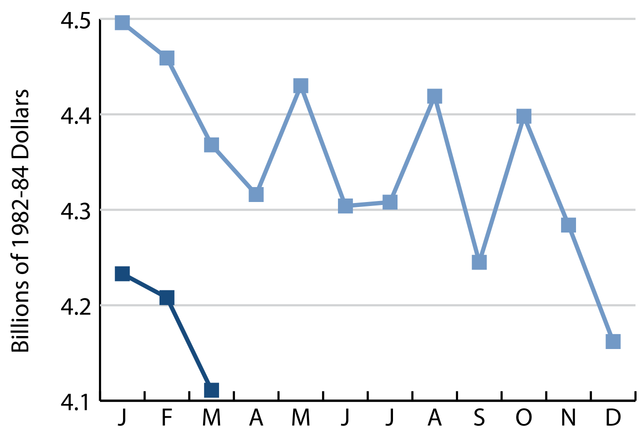
Taxable Retail Sales



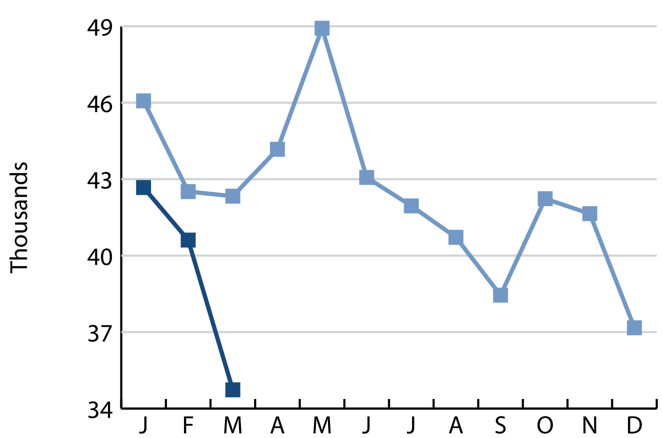
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



Data Summary (Seasonally Adjusted Data) January 2008

	Jan 2008	Dec 2007	Jan 2007	Percent & Direction of Change** Dec 2007-Jan 2008	Percent & Direction of Change** Jan 2007-Jan 2008
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,775.6	3,767.0	3,756.9	0.2 (0)	0.50 (+)
*Manufacturing Employment (000)	274.8	274.6	281.1	0.1 (0)	-2.2 (-)
*Total Unemployment Rate (%)	3.4	3.2	2.8	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,697	4,531	5,076	25.7 (-)	12.2 (-)
Insured Unemployment Rate (%)	0.92	1.01	0.86	(+)	(-)
Final Payments	3,543	3,076	3,315	15.2 (-)	6.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.3	42.8	41.1	1.2 (+)	5.4 (+)
*Total Production Hours (000)	9,276	9,193	9,037	0.9 (+)	2.6 (+)
*Average Hourly Earnings ($)	18.30	18.35	17.08	-0.3 (0)	7.1 (+)
*Average Weekly Earnings ($)	791.50	786.17	701.40	0.7 (+)	12.8 (+)
BUSINESS					
Single Family Housing Permits	2,225	1,855	2,765	19.9 (+)	-19.5 (-)
New Business Incorporations	1,850	1,368	1,829	35.2 (+)	1.1 (+)
New Vehicle Registrations	42,671	37,168	46,072	14.8 (+)	-7.4 (-)
Taxable Retail Sales ($M)	8,808	8,623	8,942	2.1 (+)	-1.5 (-)

Data Summary (Seasonally Adjusted Data) February 2008

	Feb 2008	Jan 2008	Feb 2007	Percent & Direction of Change** Jan 2008-Feb 2008	Percent & Direction of Change** Feb 2007-Feb 2008
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,774.9	3,775.6	3,755.7	0.0 (0)	0.51 (+)
*Manufacturing Employment (000)	272.5	274.8	281.9	-0.8 (-)	-3.3 (-)
*Total Unemployment Rate (%)	3.5	3.4	2.9	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,403	5,697	5,808	-5.2 (+)	-7.0 (+)
Insured Unemployment Rate (%)	0.95	0.92	0.93	(-)	(-)
Final Payments	3,192	3,543	3,056	-9.9 (+)	4.5 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.9	43.3	41.2	1.4 (+)	6.6 (+)
*Total Production Hours (000)	9,299	9,276	9,087	0.2 (0)	2.3 (+)
*Average Hourly Earnings ($)	18.22	18.30	17.04	-0.4 (0)	6.9 (+)
*Average Weekly Earnings ($)	801.67	791.50	703.21	1.3 (+)	14.0 (+)
BUSINESS					
Single Family Housing Permits	2,083	2,225	2,891	-6.4 (-)	-27.9 (-)
New Business Incorporations	1,223	1,850	1,429	-33.9 (-)	-14.4 (-)
New Vehicle Registrations	40,610	42,671	42,513	-4.8 (-)	-4.5 (-)
Taxable Retail Sales ($M)	8,767	8,808	8,898	-0.47 (0)	-1.5 (-)

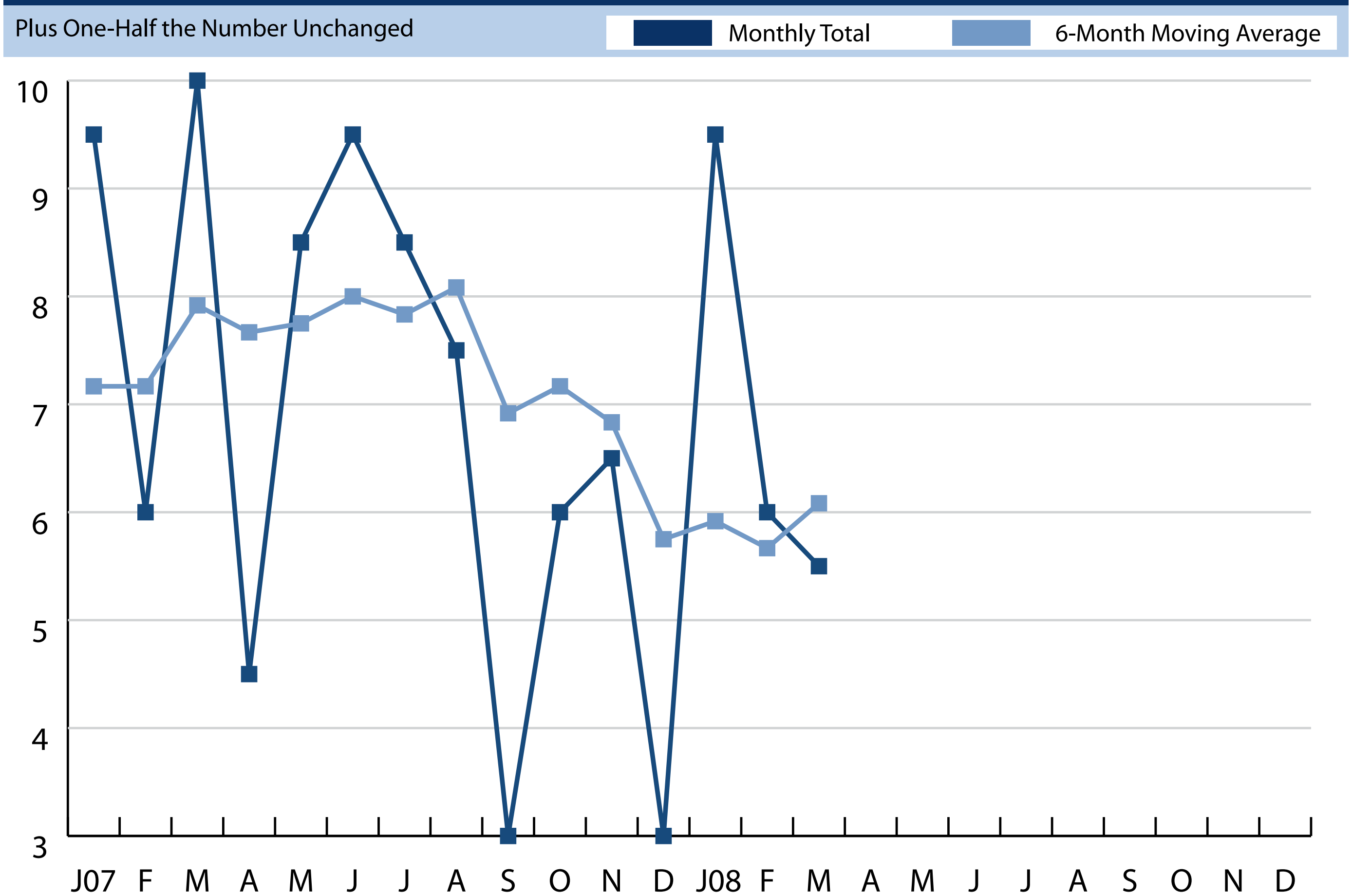
Data Summary (Seasonally Adjusted Data)
March 2008

	Mar 2008	Feb 2008	Mar 2007	Percent & Direction of Change** Feb 2008-Mar 2008	Mar 2007-Mar 2008
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,773.5	3,774.9	3,757.4	0.0 (0)	0.4 (0)
*Manufacturing Employment (000)	272.3	272.5	281.4	-0.1 (0)	-3.2 (-)
*Total Unemployment Rate (%)	3.7	3.5	2.9	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,523	5,403	5,059	2.2 (-)	9.2 (-)
Insured Unemployment Rate (%)	1.18	0.95	0.91	(-)	(-)
Final Payments	2,920	3,192	2,794	-8.5 (+)	4.5 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.9	43.9	41.8	0.0 (0)	5.0 (+)
*Total Production Hours (000)	9,309	9,299	9,204	0.1 (0)	1.1 (+)
*Average Hourly Earnings ($)	18.33	18.22	17.18	0.6 (+)	6.7 (+)
*Average Weekly Earnings ($)	801.85	801.67	715.47	0.0 (0)	12.1 (+)
BUSINESS					
Single Family Housing Permits	1,780	2,083	2,683	-14.5 (-)	-33.7 (-)
New Business Incorporations	1,248	1,223	1,466	2.0 (+)	-14.9 (-)
New Vehicle Registrations	34,734	40,610	42,332	-14.5 (-)	-17.9 (-)
Taxable Retail Sales ($M)	8,602	8,767	8,766	-1.9 (-)	-1.9 (-)

* Revised to 1st Quarter 2007 benchmarks.
** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged



The Textile and Apparel Industry in Virginia—How to Survive the End of an Era

by Timothy O. Kestner, Economist

The textile and apparel industry has had a strong presence in Virginia for several decades. However, times are changing, as well as the way companies do business, causing this industry to dwindle quickly over the last decade. So how does a region that has depended mostly on one type of industry for so long adapt to the new changes and survive the end of an era?

Trends in Textile and Apparel Employment in Virginia

Around the turn of the twentieth century, Virginia's textile industry developed in earnest with the use of hydropower along the rivers in cities like Lynchburg and Danville in Southside Virginia. After the economic depression of the late '20s and '30s, the textile and apparel industry, which had migrated from Europe to New England thirty years earlier, continued south in search of low-cost and isolated labor. This exodus continued through the 1960s. In the 1940s the Nation's entrance into World War II bolstered Virginia's textile and apparel industry as new plants produced goods for the war effort. Although reliable data is not available before 1949, we know in that year total textile and apparel employment was 24 percent of total manufacturing and 7 percent of total employment. The prosperity that Virginia experienced in the 1950s and 1960s included a rapid expansion in this industry, especially in apparel, even with considerable imports from Japan and other countries.

The strength of Virginia's textile and apparel industry and manufacturing is revealed by the seemingly minor impacts from the four recessions between 1949 and 1975. Employment advanced between 1949 and 1974 (the peak year for employment for both sectors). Apparel employment rose 175 percent and textile employment increased 23 percent. In fact, the percentage of apparel growth exceeded that of all manufacturing from 1949 through 1974. There is some evidence, however, that suggests the rise in crude oil prices in the early 1970s led to a decrease in textile and apparel employment, which brought down the overall level of manufacturing employment. Textile's growth from 1949 to its peak in the mid-1970s was not as spectacular as that of apparel. However, it has historically been less volatile and has maintained a relatively constant rate of growth, especially toward the end of the period of increase.

By the mid- to late 1970s, productivity improvements, increased imports, and changing consumer preferences had begun to have a negative impact. Even with the Multifiber Arrangement (MFA) in 1974 setting

Dan River Inc., White Mill building circa 1950 quotas for certain imported product lines in the U.S., Canada, and the European Economic Community, Virginia experienced precipitous declines in apparel employment and stagnate employment levels in textiles. The two recessions early in the 1980s and the mid-80's rise in value of the U.S. dollar, which softened exports of textile and apparel products, were detriments to employment. By the end of the 1980s, capital spending had declined, inducing mergers and acquisitions along with forcing the closures of less competitive companies. (See Graph 1.)

In the 1990s, production levels in textiles continued to increase while employment declined. By 1995, the onset of the Agreement on Textiles and Clothing (ATC) from that year's Uruguay Round Agreements, called for a phaseout of import quotas imposed by agreements such as the MFA. As a result, Virginia's textile and apparel industry experienced a spiraling decline that continues into the new millennium.

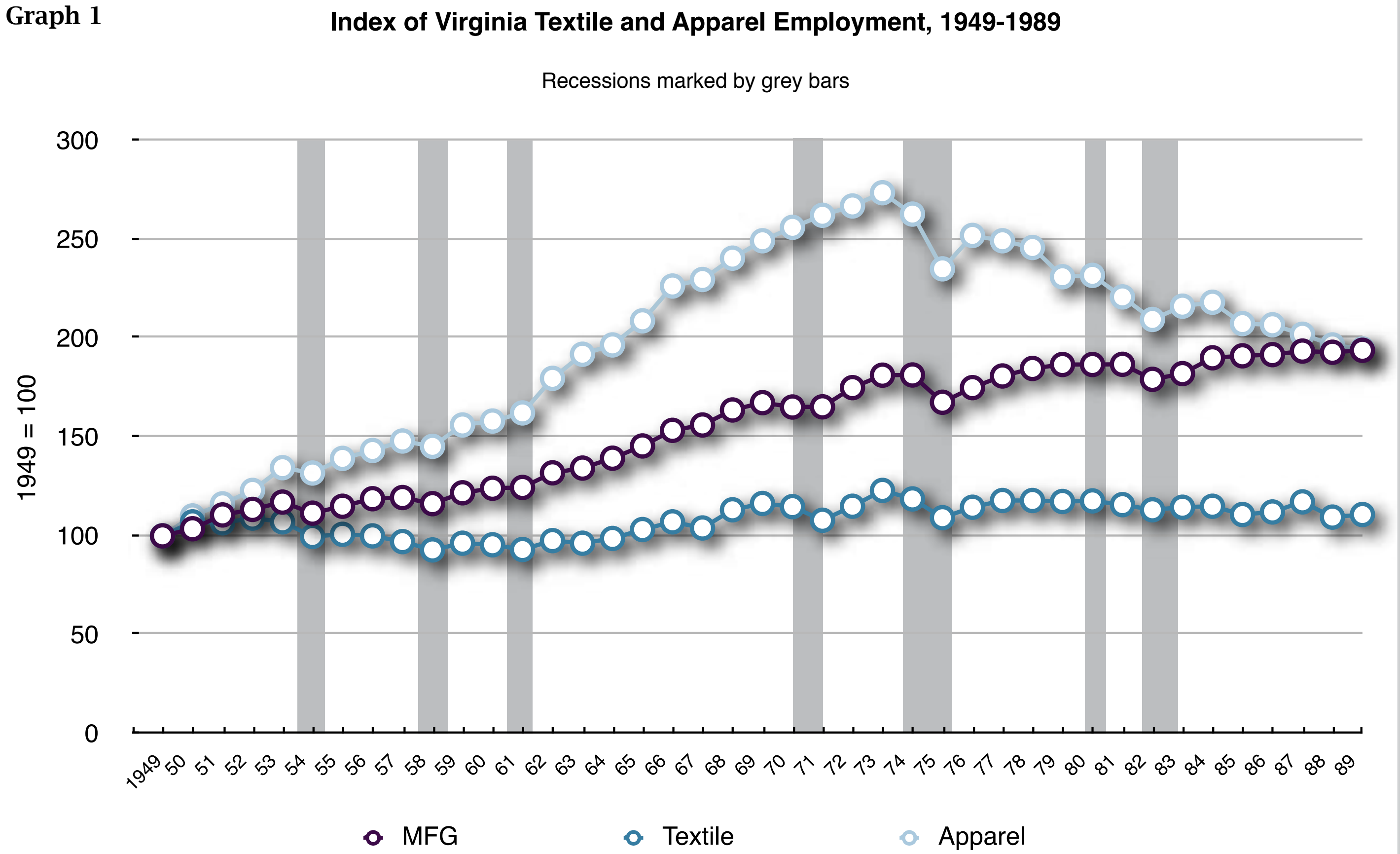
Employment in apparel waxed and waned in the early 1990s, then began to decline sharply prior to the first phase (1995) of the ATC. This linear trend continued at a constant rate into 1997 and then declined at a higher percentage before the second phase began in 1998. By 2000, the rate of decline slowed somewhat prior to the third phase of the ATC in 2002. The rate of decline continued to slow through the fourth and final phase in 2005. Apparel employment in Virginia, currently (at approximately 2,000), is 13.5 percent of the 1949 level of 14,800. Textile employment is roughly 18 percent of the 1949 level of 38,000. Currently, total employment in the textile and apparel industry represents 3.0 percent of total manufacturing employment. By comparison, Virginia's total manufacturing level in 2007 is only slightly above the 1949 level; textile and apparel employment was 24 percent of factory employment in 1949.

Specific Regional Impacts

The ATC and other trade agreements certainly continue to impact regional and local communities. Southside Virginia, defined here as the counties of Franklin, Halifax, Henry, Patrick, Pittsylvania, and Mecklenburg, along with the cities of Danville and Martinsville, has been particularly hit hard by losses of textile and apparel industry jobs.

The Tultex Corporation, with locations in Martinsville, South Boston (Halifax County), Bland County, and Roanoke, was a leading manufacturer and marketer of fleeced sports apparel. Having been incorporated in the late 1930s in both Virginia and North Carolina, the company was a mainstay of employment for generations. Yet within six weeks at the

Graph 1



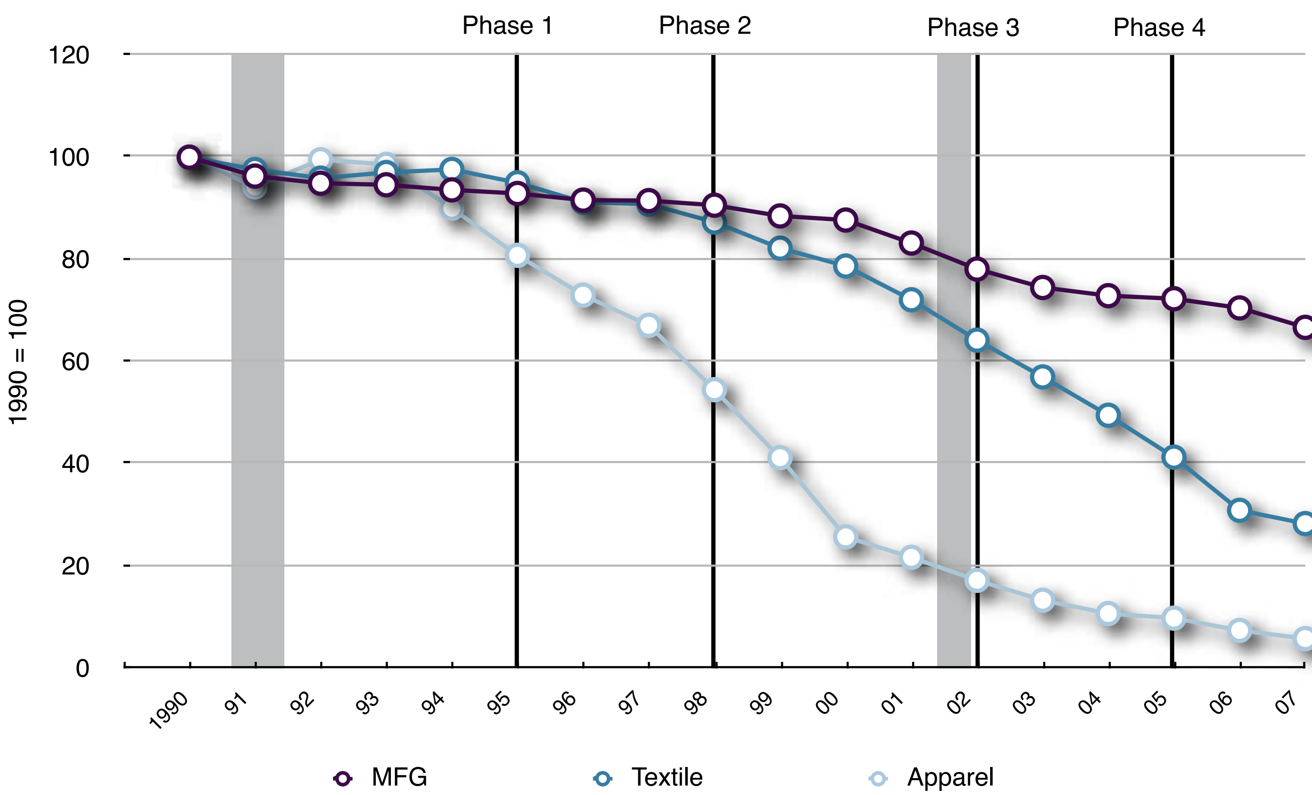
end of 1999, an announcement was issued and some 2,045 jobs were lost, which by one comparison was 11 percent of total employment and 40 percent of manufacturing in the city of Martinsville alone. Even by the end of 1995, during the first phase of the ATC, Martinsville's textile and apparel employment represented more than 50 percent of total manufacturing. By the end of 2007, textile and apparel employment consisted of only 6 percent of manufacturing.

The third-largest home-textile manufacturer in America, Pillowtex, Incorporated, headquartered in North Carolina, with a plant in Henry County, ceased operations in July 2003 and displaced nearly 1,000 Virginia workers and 5,000 more workers in North Carolina. With Pillowtex, it is not as transparent that less restrictive trade barriers brought on the demise of these jobs, when one considers the company's business decisions and acquisitions made during the phaseout of the MFA. Pillowtex represented 6 percent of total employment and 13 percent of total manufacturing in Henry County before the closure. Total textile and apparel employment in 1995 had represented 27 percent of total manufacturing and was down to only 6 percent in 2007 (see Graph 2).

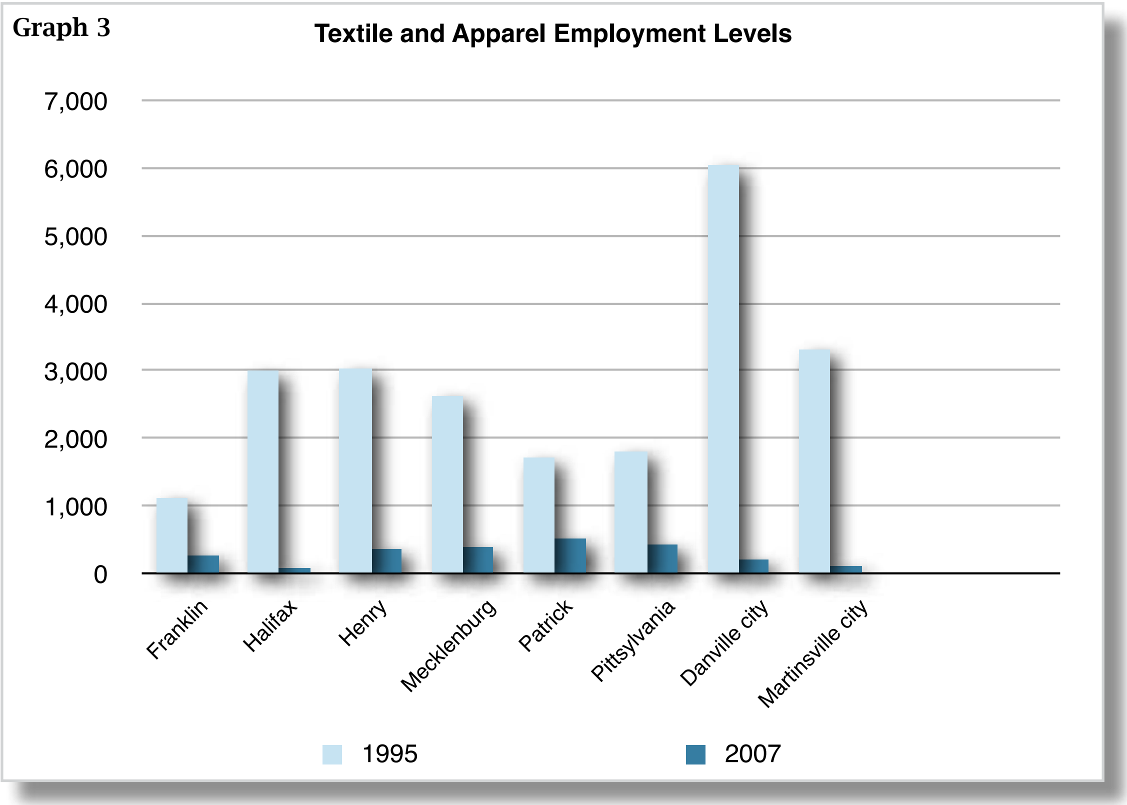
In the city of Danville, Dan River Mills also was the economic driver and the founding economic base of this community. Dan River Mills produced home fashion products, such as comforters, sheets, and draperies, under its brand name and private labels for major mid-level retailers in the United States. Sold to the Indian company Gujarat Heavy Chemicals in 2005, the mill had discharged 1,770 people from service by August 2006 and moved the operations to the new owner's home country.

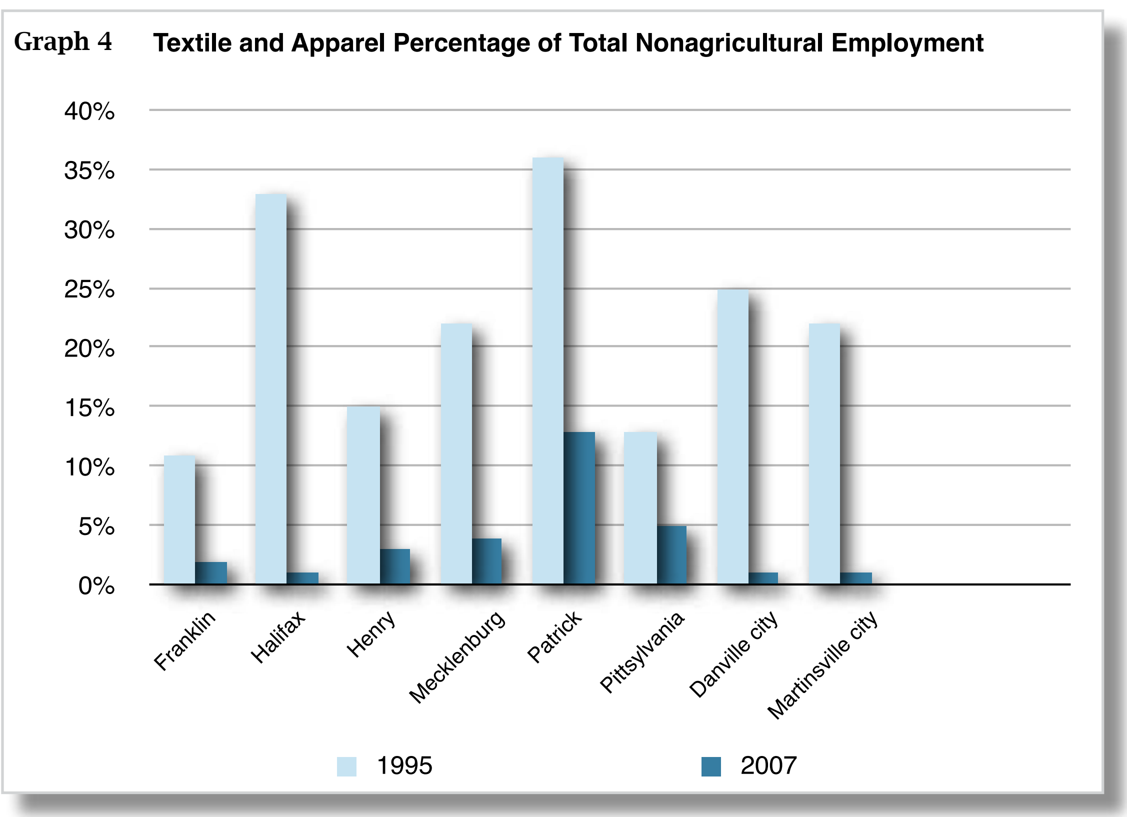
Graph 2 **Index of Virginia Textile and Apparel Employment, 1990-2007**

Recessions marked by grey bars



Company officials cited that for some time, material was purchased from China, India, and Pakistan and turned into finished products for the U.S. market. The sale was a realization that the company's domestic production units could no longer compete for even that share of the market. Dan River Mills' employees made up 5 percent of total employment in Danville and 23 percent of manufacturing employment when the end came. The combined textile and apparel employment in 1995 had represented 77 percent of total manufacturing and was down to 5 percent of factory jobs by 2007 (see Graph 3 and 4).





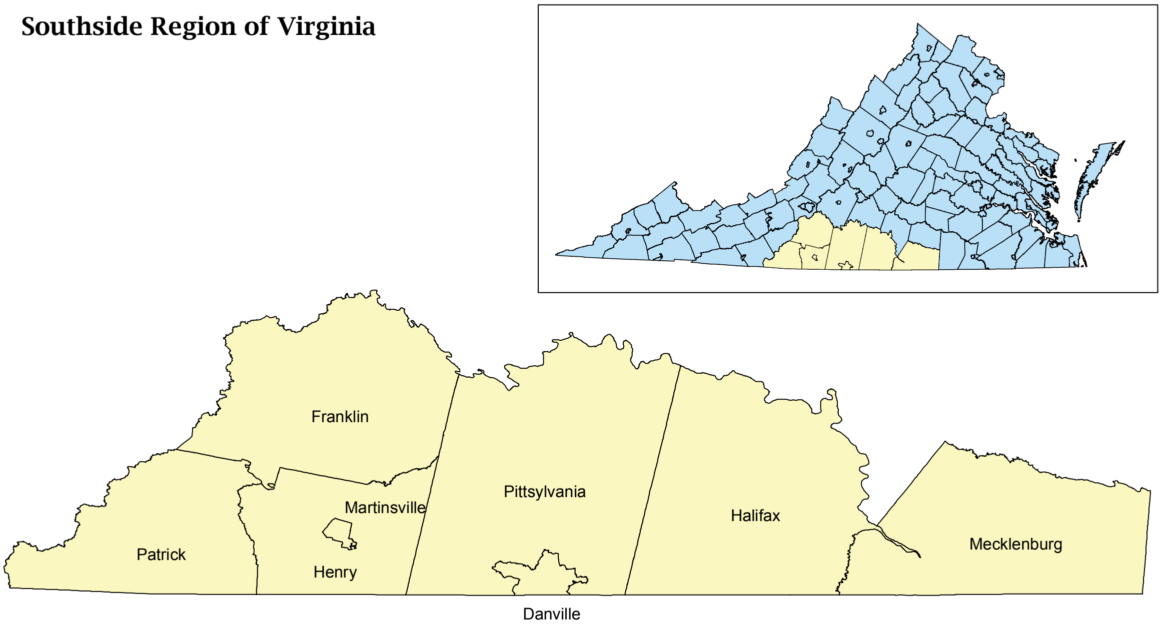
Dan River Inc., White Mill building
Present Day

Regional Restructuring

The realization of the loss of economic bases that were the core of regional and community development is difficult to accept. The generations that worked the textile and apparel mills in rural Virginia thought of the relationship as having somewhat of a social-contractual overtone: as long as the population was willing to provide workers, the companies would provide jobs and security. What some political scientists refer to as *extreme market capitalism* does not make any such guarantees. Plants and factories are where they are (and where they are not) due to the economic realities of the moment; and where those operations are in the future depends on the realities *of the future*, not the past. So it is that the textile and apparel industry has exited en mass over the last 25 to 30 years. This exit has been rather hurried and, at times, with little notice.

Communities that lose their factory base are simply turned into “bed-room communities” at best. Often the younger labor force simply moves away, and in time—theoretically—small towns would just cease to exist. While this doesn’t seem to happen as academically as stated, there is a certain

Southside Region of Virginia



amount of "brain drain" that stunts economic development. Moreover, a region that has the stigma of its workforce being "low-skilled" has a challenging obstacle to overcome.

The Southside region of Virginia has taken a progressive approach to transform from an economy based on routine work done by people and machines, into an *innovation economy*—one that is centered around creative work. This is, in many ways, a very pragmatic approach, and perhaps the only option, as developing countries are better suited in the global economy to perform these routine/low-wage/low-skilled jobs. The question, of course, is how to make that transformation? Research in the U.S. and Europe has shown that innovation-based economies evolved around talent bases, existing innovation centers, advanced information infrastructures, and desirable quality of life attributes. (*adapted from information presented by the Institute for Advanced Learning and Research at the Philadelphia Regional Education Roundtable Symposium March 13, 2007*)

Regions lose workers if they are educated and trained and there are no local job opportunities awaiting them. The answer is to entice companies involved in innovation to locate to the region by offering a consistent educated/trained source of labor along with a local research environment supported by an acclaimed university. Hence, the concept of the Institute for Advanced Learning and Research (IALR) was formulated in 2000; and by 2007, faculty and research facilities were in place in Danville.

Faculty from highly credible and established schools, such as Virginia Tech, Virginia Commonwealth University, and other universities in the state, provide online and in-class instruction at the IALR. This model has been adapted also in South Boston, Virginia, through the Southside Higher Education Coalition. The Virginia legislature had mandated this partnership to attract students to programs that offer secondary degrees. On-site facilities have been established to provide lecturing in South Boston and Martinsville. It is hoped that with the introduction of advanced learning in Southside, a new state-supported university will be established in this region of Virginia.

Note: Source for all graphs in this article is the Virginia Employment Commission—Current Employment Statistics

Institute for Advanced Learning and Research (IALR)
Danville, Virginia

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:

Single Family Housing Permits

Virginia Department of Motor Vehicles:

New Vehicle Registrations

Virginia Department of Taxation:

Deflated Taxable Retail Sales

Taxable Retail Sales

Virginia Employment Commission:

Average Hourly Earnings

Average Weekly Earnings

Average Weekly Hours

Average Weekly Initial Claims

Deflated Average Hourly Earnings

Deflated Average Weekly Earnings

Insured Unemployment Rate

Manufacturing Employment

Nonagricultural Wage and Salary Employment

Total Production Hours

Total Unemployment Rate

Unemployment Insurance Final Payments

Virginia State Corporation Commission:

New Business Incorporations

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